

COBRA Coverage-How This Offering Helps You and Your Family Continue Benefits When Employment Ends

Although it sounds similar, in this instance, COBRA is not defined as a reptile. The acronym-COBRA stands for the *Consolidated Omnibus Budget Reconciliation Act* Congress passed in 1986 to amend health provisions of the Employee Retirement Income Security Act (ERISA) the Internal Revenue Code (IRC), and the public Health Service Act. It's important to understand COBRA and how it can help you and your family, should the benefit be needed.

COBRA requires continuation of medical (COBRA can be offered for dental, vision, EAP, and flexible spending accounts as well) coverage to covered employees, their current and former spouses, and their dependent children when group health coverage is lost due to specific events. The following examples are events that qualify for continuation of coverage:

- Death or termination of a covered employee
- Reduction in work hours (except in the case of gross-misconduct)
- Divorce or legal separation from a covered employee
- Medicare eligibility of a covered employee
- A child's loss of dependent status (therefore, no longer eligible for medical coverage)

Individuals who elect COBRA will pay the full amount of the premium which will generally be more expensive than the amount an active employee would pay due to the employer contribution. Employers may also charge up to a 2% administrative charge to administer the benefits. Unlike active employee benefits, COBRA benefits only last for a certain period of time.

Am I Entitled to Continuation Coverage?

Three basic requirements must be met in order to qualify for COBRA Continuation of Coverage:

- **Your group health plan must be covered by COBRA,**
Employers with at least 20 employees sponsoring a group health plan are covered by COBRA
- **A qualifying event must occur,**
A qualifying event is one that causes an individual to lose group health coverage. The type of event will determine who is eligible under the account and the length of time an individual can have coverage.

Employee Qualifying Events:

- Termination of an employee's employment for any other reason other than "gross misconduct",
- Reduction in employee's work hours

Spouse and Dependent Child of a covered employee

- Termination of covered employee's employment for any reason other than "gross misconduct"
- Reduction in work hours by the covered employee,
- Covered employee becomes entitled to Medicare,
- Divorce or legal separation of the spouse from the covered employee,
- Death of a covered employee

Dependent Child (additional coverage)

- Loss of dependent child status under the plan rules
- **You must be a qualified beneficiary for that event.** A qualified beneficiary can be
 - A covered employee
 - An employee's spouse or former spouse
 - An employee's dependent child.
 - Any adopted child or child born under a covered employee during a period of continuation coverage
 - Agents, contractors and directors who participate in the group health plan

What type of benefits will I receive under COBRA?

The coverage a person receives must be identical to the coverage currently being made available under the plan similar to active employees and their families. Generally, it is the same coverage you had immediately before the qualifying event. You are also eligible for the same benefits, options, and services that a similar participant is currently receiving under the plan; for example, the right to choose benefit options under a group's open enrollment. But keep in mind; you will also be subject to the same rules and limits that apply to active participants as well; for example, copays, deductibles and coinsurance.

How long does COBRA coverage last?

COBRA lasts only for a limited period of time, usually 18 or 36 months, depending on the type of qualifying event. For termination of employment or reduction in work hours the time period is 18 months. For all other qualifying events, the time period is 36 months. The same qualifiers apply, but if an employee becomes entitled to Medicare less than 18 months prior to the qualifying event, the spouse and dependent coverage can last up to 36 months after the date the employee became entitled to Medicare.

Can my employer terminate my coverage earlier?

Yes, your employer can terminate your coverage earlier for the following reasons:

- Premiums are not paid in full, timely.
- Your employer ceases to maintain group coverage under another group plan after you have elected continuation coverage, and as long as that new plan doesn't impose an exclusion or limitation that would affect a qualified beneficiary's preexisting condition.
- A qualified beneficiary becomes entitled to Medicare benefits after electing continuation of coverage.
- A qualified beneficiary engages in gross misconduct (fraud).

For an extension of the 18 month benefit rules, it is best to see your employer.

New! COBRA Continuation Coverage Assistance under the American Recovery and Reinvestment Act of 2009 (ARRA)

ARRA provides premium reductions and additional election opportunities for health benefits under COBRA. Eligible individuals are only required to pay 35% of their COBRA premiums, while 65% would be reimbursed to the coverage provider through a tax credit. This subsidy amount applies to periods of coverage that a person may have beginning on or after February 17, 2009 and lasts for up to 9 months for those who are COBRA eligible during the period of September 1, 2008 and ending December 31, 2009 due to involuntary termination of employment that occurred during that period.

While this is an overview to help you understand COBRA and how it may assist you should you need continuation of benefits, there is more detailed information on policies and procedures encompassing the offering. To learn more, please see your employer with specific questions, or visit the Department of Labor website at <http://www.dol.gov/ebsa/cobra.html>.